

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Rochester Hills Public Library	County Oakland
Audit Date December 31, 2005	Opinion Date January 27, 2006	Date Accountant Report Submitted To State: April 13, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48037
Accountant Signature <i>Plante & Moran, PLLC</i>			

Rochester Hills Public Library

Financial Report
with Supplemental Information
December 31, 2005

Rochester Hills Public Library

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Independent Auditor's Report

To the Board of Directors
Rochester Hills Public Library

We have audited the accompanying basic financial statements of the Rochester Hills Public Library as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Rochester Hills Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rochester Hills Public Library as of December 31, 2005 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Library's basic financial statements. The required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

January 27, 2006



A worldwide association of independent accounting firms

Rochester Hills Public Library

Governmental Fund Balance Sheet/Statement of Net Assets December 31, 2005

	Balance Sheet - Modified Accrual Basis	Adjustments (Note 9)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash and cash equivalents (Note 2)	\$ 3,041,485	\$ -	\$ 3,041,485
Investments (Note 2)	1,375,073	-	1,375,073
Other assets	31,039	-	31,039
Taxes receivable	1,779,007	-	1,779,007
Fixed assets (Note 3)	-	11,552,078	11,552,078
Total assets	<u>\$ 6,226,604</u>	11,552,078	17,778,682
Liabilities			
Accounts payable	\$ 53,775	-	53,775
Deferred revenue (Note 1)	3,076,883	-	3,076,883
Accrued liabilities	89,250	-	89,250
Long-term liabilities (Note 4):			
Accumulated employee benefits - Due within one year	-	98,134	98,134
Accumulated employee benefits - Due in more than one year	-	63,649	63,649
Total liabilities	3,219,908	161,783	3,381,691
Fund Balance/Net Assets			
Fund balance:			
Reserved for donor-restricted purpose	125,375	(125,375)	-
Unreserved:			
Designated for equipment purchases	161,874	(161,874)	-
Designated for capital improvements	2,045,698	(2,045,698)	-
Undesignated	673,749	(673,749)	-
Total fund balance	<u>3,006,696</u>	<u>(3,006,696)</u>	-
Total liabilities and fund balance	<u>\$ 6,226,604</u>		
Net assets:			
Invested in capital assets - Net of related debt		11,552,078	11,552,078
Restricted for donor-restricted purpose		125,375	125,375
Unrestricted		2,719,538	2,719,538
Total net assets		<u>\$ 14,396,991</u>	<u>\$ 14,396,991</u>

Rochester Hills Public Library

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2005

	Revenue and Expenditures - Modified Accrual Basis	Adjustments (Note 9)	Statement of Activities - Full Accrual Basis
Revenue			
Property taxes	\$ 2,559,819	\$ -	\$ 2,559,819
Service contracts	1,159,585	-	1,159,585
State aid	80,323	-	80,323
Fines and fees	300,383	-	300,383
Investment income (Note 2)	126,657	-	126,657
Gifts	384,796	-	384,796
Other income	9,094	-	9,094
Total revenue	4,620,657	-	4,620,657
Expenditures			
Personnel	2,888,989	32,532	2,921,521
Library materials	646,025	(638,267)	7,758
Facilities and equipment	704,648	707,579	1,412,227
Professional and contractual services	115,466	-	115,466
Library programs	43,055	-	43,055
Other operating expenditures	259,711	-	259,711
Total expenditures	4,657,894	101,844	4,759,738
Excess of Expenditures Over Revenue	(37,237)	(101,844)	(139,081)
Fund Balance/Net Assets - Beginning of year	3,043,933	11,492,139	14,536,072
Fund Balance/Net Assets - End of year	<u><u>\$ 3,006,696</u></u>	<u><u>\$ 11,390,295</u></u>	<u><u>\$ 14,396,991</u></u>

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

The Rochester Hills Public Library (the "Library") serves the city of Rochester Hills, the city of Rochester, and Oakland Township. The Library is governed by a six-member board of trustees. The accounting policies of the Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Rochester Hills Public Library:

Reporting Entity

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Accordingly, there are no component units to be included in the Library's financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and the traditional fund financial statements (reporting the Library's General Fund).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Library has one fund, the General Fund, which is the Library's primary operating fund. It accounts for all financial resources of the Library.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2005 ad valorem tax is levied and collectible on December 1, 2004 and is recognized as revenue in the year ended December 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations. The Library's 2006 ad valorem tax is levied and collectible on December 1, 2005, but will not be recognized as revenue until 2006. As of December 31, 2005, the billings related to the 2006 levy are recorded as deferred revenue.

The 2004 taxable valuation of the City of Rochester Hills totaled \$3.206 billion, on which ad valorem taxes levied consisted of 0.7942 mills for operating purposes. This resulted in approximately \$2.5 million for operations.

Service Contract Revenue

The Library also services the City of Rochester and Oakland Township under separate operating agreements. The fee for this service is produced by each municipality levying one mill, annually adjusted for the Headlee Amendment.

Rochester Hills Public Library

Notes to Financial Statements
December 31, 2005

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Financial Statement Amounts

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments - Investments are recorded at fair value, based on quoted market prices.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	40 years
Furniture and fixtures	5-8 years
Library equipment	5-10 years
Bookmobile	10 years
Library materials	4 years

Deferred Revenue - Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the fiscal year, all deferred revenue of the Library was unearned, relating entirely to property taxes and service contract revenue.

Compensated Absences - It is the Library's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated 17 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$2,220,741 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Rochester Hills Public Library

Notes to Financial Statements
December 31, 2005

Note 2 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. government securities	\$ 1,972,201	3.45 years

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library's investment policy does not further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds	\$ 76,034	Unrated	Unrated

Concentration of Credit Risk

The Library places no limit on the amount the Library may invest in any one issuer. No more than 5 percent of the Library's investments are invested in any one issuer.

At December 31, 2005, the Library had investment earnings from the following:

Unrealized loss on investments - Beginning of year	\$ (19,300)
Unrealized loss on investments - End of year	<u>(71,116)</u>
Current year change in market value	(51,816)
Other investment income - Interest, dividends, and realized gains	<u>178,473</u>
Total investment earnings	<u><u>\$ 126,657</u></u>

Rochester Hills Public Library

Notes to Financial Statements December 31, 2005

Note 3 - Capital Assets

Capital asset activity of the Library was as follows:

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
Capital assets not being depreciated - Land	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000
Capital assets being depreciated:				
Building and improvements	10,136,614	37,158	-	10,173,772
Furniture and fixtures	223,237	34,161	628	256,770
Library equipment	1,117,954	111,887	81,634	1,148,207
Bookmobile	205,847	-	-	205,847
Library materials	4,127,098	638,267	363,931	4,401,434
Subtotal	15,810,750	821,473	446,193	16,186,030
Accumulated depreciation:				
Building and improvements	1,019,023	256,631	-	1,275,654
Furniture and fixtures	3,070,379	24,136	628	3,093,887
Library equipment	14,283	110,774	80,820	44,237
Bookmobile	-	20,585	-	20,585
Library materials	3,085,675	477,845	363,931	3,199,589
Subtotal	7,189,360	889,971	445,379	7,633,952
Net capital assets being depreciated	8,621,390	(68,498)	814	8,552,078
Net capital assets	\$ 11,621,390	\$ (68,498)	\$ 814	\$ 11,552,078

Depreciation expense was \$889,971 for the year ended December 31, 2005.

On August 15, 1990, the Library entered into an agreement with the Rochester Downtown Development Authority (the "Authority") whereby the Authority agreed to provide \$2,500,000 to assist the Library in the acquisition of the land where the existing library building is located. The Library and the Authority have agreed that if at any time within 30 years of the date of this agreement this land is sold, then the Library will return to the Authority its pro rata share of the appraised value of the land only. The Authority's share of the appraised value is 83.3 percent. At this time, the Library does not intend to sell the current library facility.

Rochester Hills Public Library

Notes to Financial Statements December 31, 2005

Note 4 - Long-term Debt

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accumulated employee benefits	<u>\$ 129,251</u>	<u>\$ 32,532</u>	<u>\$ -</u>	<u>\$ 161,783</u>	<u>\$ 98,134</u>

The accumulated employee benefits represent the estimated liability to be paid employees under the Library's sick and vacation pay policy. Under the Library's policy, employees earn sick and vacation time based on time of service with the Library.

Note 5 - Assets Held at Community Foundation

There is one endowment fund administered by the Community Foundation of Greater Rochester (CFGR) for the benefit of the Library. The CFGR is a public charity that is funded through donations by a large number of contributors. Although the Library does not control the funds at the CFGR, by agreement, the purpose of the funds is to provide support and furtherance of specific programs and activities of the Rochester Hills Public Library. Accordingly, the Library has not recorded these funds in this financial report. Revenue is recorded when distributions are received from the CFGR.

A summary of changes in assets held at the CFGR is as follows:

Balance - January 1, 2005	\$ 174,083
Contributions	4,005
Distributions	(2,749)
Investment earnings	<u>3,855</u>
Balance - December 31, 2005	<u>\$ 179,194</u>

Note 6 - Budget Information

The annual budget is prepared by the Library director and adopted by the Library board and subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with generally accepted accounting principles.

Note 6 - Budget Information (Continued)

The budget has been adopted on a total revenue and expenditure basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget can be found in the supplemental information.

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to May 1, library managers submit budgetary requests for the following fiscal year. The library director gathers income information from Rochester Hills, Rochester, and Oakland Township and verifies the information with the County treasurer's office.
- The library director shares a draft budget with the Library board's finance committee in June.
- The proposed budget is presented to the full board for discussion in July.
- A public hearing is advertised at least 10 days before the hearing, which is held in August. The board adopts a total budget figure in August by passing a budget resolution. The library director is authorized to transfer budgeted amounts within budgetary activities; however, any revisions that alter the total expenditures of any budgetary activity must be approved by the Library board.
- The library director forwards a copy of the budget resolution to the City of Rochester Hills.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Library incurred expenditures of \$4,657,894, which were \$233,894 greater than budget. However, these additional expenditures were funded by revenues which exceeded the budget by \$283,118. Overall, Library financial operations exceeded budgeted expectations by \$49,224.

Note 7 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for all such claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Rochester Hills Public Library

Notes to Financial Statements
December 31, 2005

Note 8 - Defined Contribution Retirement Plan

The Library provides pension benefits through a money purchase plan, created in accordance with IRC Section 401(a), to all of its salaried employees who have worked in excess of one year. As established by the plan, the Library contributes 10 percent of gross earnings, which resulted in employer contributions of \$160,257. Participants may also make voluntary contributions limited to 100 percent of their annual contribution or \$40,000.

Note 9 - Reconciliation of Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 3,006,696
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Amounts reported in the statement of net assets are different
because:

Capital assets are not financial resources and are not reported in the funds	11,552,078
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Compensated absences are included as a liability	<u>(161,783)</u>
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Net Assets of General Fund - Full Accrual Basis	<u>\$ 14,396,991</u>
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Rochester Hills Public Library

Notes to Financial Statements
December 31, 2005

Note 9 - Reconciliation of Fund Financial Statements to Government-wide Financial Statements (Continued)

Net Change in Fund Balances - Modified Accrual Basis	\$ (37,237)
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Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Building and improvements	37,158
Furniture and fixtures	34,161
Library books and materials	638,267
Capital outlay	<u>111,887</u>

Total capital asset additions during the year	821,473
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Depreciation	(889,971)
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Loss on disposal of capital assets is not recorded in the fund statements	(814)
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Increase in accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund statements	<u>(32,532)</u>
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Change in Net Assets of General Fund - Full Accrual Basis	<u><u>\$ (139,081)</u></u>
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Required Supplemental Information

Rochester Hills Public Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2005

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue				
Property taxes	\$ 2,560,300	\$ 2,560,300	\$ 2,559,819	\$ (481)
Service contracts:				
City of Rochester	460,800	471,500	475,112	3,612
Oakland Township	<u>683,200</u>	<u>667,000</u>	<u>684,473</u>	<u>17,473</u>
Total service contracts	1,144,000	1,138,500	1,159,585	21,085
State aid	27,700	80,300	80,323	23
Fines and fees:				
Penals	120,000	123,439	123,439	-
Fines and fees	<u>160,000</u>	<u>160,000</u>	<u>176,944</u>	<u>16,944</u>
Total fines and fees	280,000	283,439	300,383	16,944
Investment income	88,000	105,000	126,657	21,657
Gifts:				
Designated gifts - General	5,000	5,000	4,819	(181)
Designated gifts - Friends	125,000	125,000	125,205	205
Undesignated gifts - General	<u>25,000</u>	<u>25,000</u>	<u>254,772</u>	<u>229,772</u>
Total gifts	155,000	155,000	384,796	229,796
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>9,094</u>	<u>(5,906)</u>
Total revenue	4,270,000	4,337,539	4,620,657	283,118

Rochester Hills Public Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2005

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Expenditures				
Personnel:				
Payroll	\$ 2,338,800	\$ 2,217,800	\$ 2,291,135	\$ (73,335)
Employee benefits	<u>614,200</u>	<u>602,700</u>	<u>597,854</u>	<u>4,846</u>
Total personnel	2,953,000	2,820,500	2,888,989	(68,489)
Library materials:				
Books	453,000	453,000	440,618	12,382
Print subscriptions and electronic materials	95,000	95,000	94,270	730
Audiovisual	<u>102,500</u>	<u>106,500</u>	<u>111,137</u>	<u>(4,637)</u>
Total library materials	650,500	654,500	646,025	8,475
Facilities and equipment:				
Telephone	24,000	24,000	44,658	(20,658)
Equipment and capital improvements	20,000	100,000	137,718	(37,718)
Bookmobile operation	8,500	20,000	18,504	1,496
Equipment maintenance	57,500	66,000	55,477	10,523
Facilities maintenance	181,700	171,000	207,494	(36,494)
Utilities	228,000	217,000	196,348	20,652
Insurance	<u>26,000</u>	<u>26,000</u>	<u>44,449</u>	<u>(18,449)</u>
Total facilities and equipment	545,700	624,000	704,648	(80,648)
Professional and contractual services	88,000	93,000	115,466	(22,466)
Library programs	40,000	45,000	43,055	1,945
Other operating expenditures:				
Promotion and printing	72,000	63,000	55,163	7,837
Staff development	25,000	25,000	22,031	2,969
Supplies	61,000	58,000	55,198	2,802
Mileage	8,000	6,000	6,540	(540)
Computer software	20,000	25,000	20,766	4,234
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>100,013</u>	<u>(90,013)</u>
Total other operating expenditures	<u>196,000</u>	<u>187,000</u>	<u>259,711</u>	<u>(72,711)</u>
Total expenditures	<u>4,473,200</u>	<u>4,424,000</u>	<u>4,657,894</u>	<u>(233,894)</u>
Excess of Expenditures Over Revenue	(203,200)	(86,461)	(37,237)	49,224
Fund Balance - Beginning of year	<u>3,043,933</u>	<u>3,043,933</u>	<u>3,043,933</u>	-
Fund Balance - End of year	<u>\$ 2,840,733</u>	<u>\$ 2,957,472</u>	<u>\$ 3,006,696</u>	<u>\$ 49,224</u>

As disclosed in Note 6, the Library's adopted budget is on a total revenue and expenditure basis. The greater detail shown in the above schedule is for informational purposes only.



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January 27, 2006

Finance Committee of the
Board of Directors
Rochester Hills Public Library
500 Olde Towne Road
Rochester Hills, MI 48307

Dear Committee Members:

We have recently completed our audit of the financial statements for the Rochester Hills Public Library for the year ended December 31, 2005. Last year, our first year as your auditors, we made several suggestions for improving the internal control environment. We were pleased to discover that many of those suggestions were implemented. Some additional suggestions are as follows:

- We recommend an additional person, the Library director, review the manual journal entries made by the bookkeeper on a monthly basis. The listing of entries should be signed by the director and kept in the accounting records.
- We noted during the audit that the budget was not amended after August 2005. As a result, total expenditures were in excess of the budgeted amounts. Please remember that appropriations in excess of the final amended budget are a violation of the Uniform Accounting and Budgeting Act. The budget should be reviewed continuously and the proper amendments should be made as necessary prior to incurring expenditures.
- Following our suggestion from the previous year, the Library adopted an ACH (wire transfer) policy in 2005; however, the Library is not following all the procedures specified within the policy. The Library should follow the procedures specified in the policy or change the policy to reflect the Library's actual procedures.
- During our testing of capital assets, we noted there was not a purchase order or notation of approval for a sample invoice selected (Library Design Associates, invoice #05-135-01). All invoices should have the proper authorizations or signoffs.
- Currently, the Library is using a \$500 threshold for asset capitalization, although no formal policy exists. We recommend the Library board implement a written capitalization policy using a threshold of \$2,500.

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January 27, 2006

- Now that the Library has fully implemented the requirements of GASB Statement 34, we took a "look back" at the purchases of the Library's collection, and it appears that the collection is well cared for and may have an estimated useful life greater than originally estimated. The Library may wish to reevaluate the estimated useful life of the various components of the collection. If you decide to use an estimated useful life longer than the current estimate, it may more closely match the actual utilization and deterioration of the collection over the years they are in service. This would reduce the annual depreciation expense on the "full accrual" statements. There would be no impact on the "fund based" statements. This change would be applied prospectively to new purchases.

We would like to thank the Library personnel for the courtesy and assistance extended to us during the audit. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Very truly yours,

Plante & Moran, PLLC



Leslie J. Pulver



Brian J. Camiller